



2006 Annual Report Kentucky



The road to a brighter future

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“Sun Rays”, the picture on the front cover, was provided by Kosta Trimovski.



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Comments by Secretary of Agriculture, Mike Johanns

In 2006, across this great nation, USDA Rural Development employees made a difference in the lives of virtually every person who calls rural America home. Whether it's financing rural renewable energy projects, guaranteeing a loan for a new business, building or upgrading a rural hospital, construction of a new community center, laying water lines, remodeling apartments or drilling a well for a senior citizen living on a homestead, we're building a more vibrant rural America.



As I traveled across the country conducting Farm Bill Forums in preparation for the 2007 farm bill, I heard loud and clear the message of support for USDA's rural development efforts. Out of hundreds of hours of discussion and thousands of comments, our rural development programs received nearly unanimous support. That is a vote of confidence in which the 6,300 men and women of USDA Rural Development can indeed be proud.

Rural America today is changing. Its economy is diversifying. The broadband revolution erases barriers of time and distance. New industries like renewable energy and biobased products hold exciting potential for investment and growth. We are working hard to improve rural health care, schools, and other community facilities, to increase rural homeownership, and to support rural entrepreneurs. The opportunities and challenges vary from place to place, but one thing remains the same: the commitment of USDA Rural Development to the future of rural communities.

This is a new era for America's rural communities as evidenced by an amazing happening in St. Louis, Missouri in early October, when 1,350 leaders from agriculture, industry, and government gathered to explore ways to move renewable energy production to the next level. Three cabinet level officials, political leaders from all levels of government, business leaders, community representatives and the media listened as President Bush spoke, continuing his long standing support for development of renewable energy from America's rural areas. The President is strongly committed to renewable energy development including production of fuel from cellulosic sources like switchgrass. USDA Rural Development plays a key role in these efforts, along with other USDA agencies, the Department of Energy, and other federal partners. Together, we are making a real difference.

We have accomplished much over the past year and we are eager to build upon those accomplishments by strengthening even further our rural communities. We remain committed to creating an environment where future generations will not only live, but thrive in rural America. As we enter 2007, the 50 million people who live in rural America are developing new opportunities in every area – and I am proud that USDA Rural Development will continue to be a partner in these efforts, as it has been for more than 70 years.

Comments by Agriculture Under Secretary Thomas Dorr

For the employees of USDA Rural Development – and the millions of rural Americans they serve – 2006 was a year of achievement and progress. Whether it's a new biodiesel plant, a medical clinic, energy efficient corn driers, a wind farm, broadband service or digital TV service for a public broadcasting station, USDA Rural Development is "connecting the assets" that we've provided to rural America. It's a lot of money: \$76.8 Billion since the start of the Bush Administration. This investment represents Rural Development leading the way to a bright new future for Americans who choose to live in our rural communities and on our farms. Not only have we invested an average of \$13 Billion a year over the last six years, (a 35% increase over 1998-2000) but we've created or saved an estimated 1.5 million American jobs.



America's new fuel industry is rural, it's diverse, it's mainstream – and it's growing fast. All across this great nation, entrepreneurs with the backing of a firm and reliable government energy policy, as outlined by President Bush, are making a contribution that expands America's energy options. In doing so they are not only providing new sources of energy for our nation, but also creating a new path to wealth creation for rural America. In the past six years we've committed more than \$482 million from our business and utilities programs to over 1,000 renewable energy ventures.

We marked other milestones this year as well. In housing, Rural Development rolled out "GUS", the Guaranteed Underwriting System, which will enable the lending community to get a fast and accurate answer when processing loan applications. We observed an important milestone in our popular "Self Help" housing program. Started in 1961, this program topped the 40,000 loan mark in 2006, and the total dollar amount of mortgages made under the program topped \$2 billion. We also began the process of revitalizing our multi-family housing portfolio. Late this year we announced that 78 multi-family housing developments in 16 states have been selected for inclusion in a demonstration program designed to preserve and rehabilitate apartment complexes financed through USDA Rural Development. We also made about \$617 million in loans and grants for Community Facilities projects including fire stations, public safety buildings, community halls, and emergency equipment.

We continued to support improvements to rural electric infrastructure and provided telecommunications loans, broadband loans and Community Connect broadband grants. We also provided hundreds of million of dollars in water and environmental loans and grants. We made over \$766 million in business loan guarantees and provided over \$35 million in funding to producers through the Value Added Producer Grant program.

Every one of our employees is charged to work with rural communities to create new economic opportunity and improve the quality of life in rural America while increasing connectivity between rural development programs, to find ways to bring even greater service to our rural customers.

Working in partnership, a rural renaissance is upon us. At Rural Development, we are committed to the future of rural communities.

Comments by State Director Kenneth Slone

My fellow Kentuckians and I are very proud of our beautiful state. USDA Rural Development employees earnestly make every effort to maintain the best quality of life for every rural resident throughout our Commonwealth.

During the past 6 years, our employees have worked hard to invest \$3,223,410,480 in rural areas of the Bluegrass State. These funds provided houses for people with no place to call home or those with substandard dwellings; made necessary repairs to existing houses; provided new or improved water and wastewater systems for rural communities; funded public safety and security equipment throughout the State; provided funds for electric, telecommunications, and broadband services in rural areas; made repairs to and maintained apartment complexes for rural residents (even victims of Hurricane Katrina); and created and/or saved jobs throughout the State, helping to maintain the economical infrastructure of our communities. This could not have been possible without all the partners and congressional support given to Rural Development and the dedication and hard work of our employees.



Visit our website www.rurdev.usda.gov/ky/ for information about the various programs USDA Rural Development has available for rural residents. On our website you will find a few of our success stories, pictures of some of our recent events, and contact information for each of our offices.

Rural Kentucky has prospered through the funding provided by USDA Rural Development. Our employees' lives have been incredibly enriched by the experience of helping their fellow Kentuckians achieve a better quality of life, and we are proud of this accomplishment.

A few years ago I was told, "Rural Development is the only agency that can build a town from the ground up. . . with housing, water, sewer, jobs, and community facilities." That is so true. We are proud of the part we play in improving the lives of residents in rural America and rural Kentucky.

Take a few minutes to look through our 2006 Annual Report and read some of our experiences. We invite your comments and would appreciate hearing from you on ways to improve for 2007.

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Community Programs

Community Programs (CP) serves a multi-function by providing infrastructure assistance to rural areas for electricity, water, wastewater, telecommunications, and essential community facilities. CP plays a critical leadership role in lending and technical guidance for rural utilities industries across the nation. The **Distance Learning and Telemedicine** program, which serves to meet the educational and health needs of rural communities, is also administered through Community Programs nationwide. In Kentucky, CP is also responsible for administering **Community Facilities** loans, grants, and loan guarantees. Additionally, through agreements with the **Appalachian Regional Commission** (ARC) and the **Delta Regional Authority** (DRA), Community Programs administers ARC and DRA grants processed under the authorities provided in **Water and Environmental** (WEP) and Housing Program regulations. Many areas in Kentucky experienced dramatic changes in population and income during the ten years between the 1990 and 2000 Census. These changes have impacted applicants for funding through USDA Rural Development's Community Programs and Housing Programs when determining their eligibility for loan and grant assistance.

Water and Environmental Programs (WEP)

Loan and grant funds and loan guarantees are provided to public bodies, non-profit organizations, and special purpose districts for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas and in cities and towns of 10,000 or less.

Twenty-eight rural communities and rural areas in Kentucky received assistance under Water and Environmental Programs this past fiscal year, improving the quality of life for approximately 74,052 rural families and local businesses. This financial assistance consisted of \$28,454,000 in loan and \$10,981,960 in grant funds awarded to fund new, expanding, or improved rural water and wastewater systems throughout the State.

This past Fiscal Year, the City of Campbellsburg in Henry County was awarded a \$1,155,000 loan and a \$495,000 grant to construct approximately 13 miles of force main and one pump station to pump sewage to Carroll County for treatment. Campbellsburg's own treatment plant had met its capacity and was failing to meet discharge limits established by the Division of Water (DOW). This has been an ongoing situation since the mid-1990's when the City and DOW entered into an Agreed Order requiring the City to take certain actions to correct the problem. Due to storm events, financial restraints, and time limitations, and in spite of the City's best efforts, a third Agreed Order was issued in 2001 ordering the City to connect to another comprehensive sewer system because of their continuing discharge violations. After looking at several possible systems, the Carrollton Regional Wastewater Treatment Plant was chosen to treat Campbellsburg's wastewater. The new wastewater treatment plant at Carrollton has been completed and will adequately serve the City of Campbellsburg.

The Campbellsburg Wastewater Treatment Plant was one of 43 projects recognized during the 36th celebration of Earth Day across the nation this past year. Earth Day (April 22nd) was established to motivate people, governments and corporations to take responsibility for a clean and healthy environment. The first Earth Day was held on April 22, 1970, and has evolved into an international event in an effort to bring environmental issues to the world stage.



The Kentucky County with the lowest population served by public water is Knott County—only 14% served, according to 2004 information from Kentucky Rural Water Association. “Thanks to Rural Development and Senators McConnell and Bunning, we will soon have 38% of our population served by public water,” said Alice Ritchie, Chairman of the Knott County Water and Sewer District.



Community Facilities (CF)

This past year Kentucky obligated eight direct CF loans for a total of \$12,301,760 and twenty-one grants for a total of \$757,040. This assistance comprised a wide range of essential community services benefiting a rural population of approximately 116,578 in twenty-two Kentucky counties. Funds were awarded to three communities to improve or expand a public library and an office building for the local Area Development District, as well as for site acquisition to build an industrial development facility in Hickman County.

One Community Facilities project for which funds were awarded this past Fiscal Year was a new medical clinic in Mason County, Kentucky. The Lewis County Primary Care Center, Inc. (LCPCC) applied for financial assistance to purchase property and construct this new clinic on a site surrounded by other health-related facilities in Maysville, Kentucky. Rural Development was able to provide them with a \$4,000,000 direct Community Facilities loan and a \$2,500,000 guaranteed loan.

The LCPCC has historically served residents in Lewis, Fleming, Carter, Greenup and Mason Counties, as well as Adams, Brown and Scioto Counties in Ohio. They provide health services to rural areas of Kentucky and Ohio through the operation of several different facilities, including the Lewis County Primary Care Center, the Fleming County Family Health Center, the Tollesboro Family Health Center, and the Lewis County Family Dental Center. The new clinic in Maysville, will be closer to the Adam and Brown County service areas of Ohio and, additionally will allow LCPCC to provide health services for the residents of Nicholas County, Kentucky.

The new Maysville Health Center will be able to provide immediate OB/GYN care for the rural population of approximately 16,815 in Mason County. LCPCC expects to see a significant improvement in prenatal care and in the infant mortality rate in Mason County and will implement programs to counter the adverse effects of poverty and tobacco use during pregnancy. At present, women who can afford it travel long distances to Cincinnati, Lexington, and Ashland seeking OB/GYN services. For those who can't afford the trip, there is an eight-week wait for an appointment. The new health center will also accommodate the planned recruitment of three new physicians to provide primary health care to the citizens of Mason County. At present, very few physicians in Mason County accept Medicaid patients – this in a County where tobacco-related diseases are prominent and the population is generally older compared to the State as a whole. LCPCC strives to serve all segments of the population, including Medicaid and Medicare recipients, low-income uninsured/underserved populations, and the elderly.

Another project funded this past Fiscal Year was for the Estill County Ambulance District, which received a CF grant to purchase a new ambulance. The new vehicle will respond to all emergency and non-emergency calls for a rural population of 15,307 in Estill County and will respond to routine local and mutual aid calls from surrounding Counties, including bio-terrorism or natural disasters.





The Fleming County Hospital District received funding to construct a new 71,000 square foot hospital facility to replace the existing inadequate facility. USDA Rural Development loaned \$18 million and the applicant contributed \$6,633,000 toward the total project cost of \$24,633,000.

Faith-Based and Community Initiatives



President Bush strongly believes that all groups – faith-based or secular, large or small – should compete on a level playing field, so long as they obey all legal requirements.

One of his first acts as President was to create the White House Office of Faith-Based and Community Initiatives to lead “a determined attack on need” by strengthening and expanding the role of faith-based and community organizations in addressing the nation’s social problems. President Bush stated “the paramount goal is compassionate results, and private and charitable groups, including religious ones, should have the fullest opportunity permitted by law to compete on a level playing field, so long as they achieve valid public purposes.”

This past Fiscal Year, Rural Development awarded a \$50,000 Community Facilities loan and a \$100,000 Community Facilities grant to Hazard-Perry County Community Ministries to renovate an existing child development center in Hazard, Kentucky. Along with that, Rural Development also agreed to administer an ARC grant in the amount of \$300,000 for the project. The funds will renovate the Starland Child Development Center, a day-care, pre-school, and early childhood development center which serves the rural population of approximately 29,390 in Perry County. Hazard-Perry County Community Ministries, which represents the churches of the Hazard-Perry County area and other interested agencies and/or persons, also operates other community-based facilities in the area, thereby addressing their stated goal of seeking out and responding to the special needs of the community without regard to age, sex, religion, or race.



Electric and Telecommunications

This past Fiscal Year, the Nolin Rural Electric Cooperative Corporation (RECC) in Elizabethtown, Kentucky, was awarded a \$12,261,000 loan to build 78 miles of new distribution line serving 1,760 new consumers and to make other system improvements for the customers in its service area. Nolin RECC provides electricity for the rural citizens in Breckinridge, Grayson, Green, Hardin, Hart, Larue, Meade, and Taylor Counties in Central Kentucky.

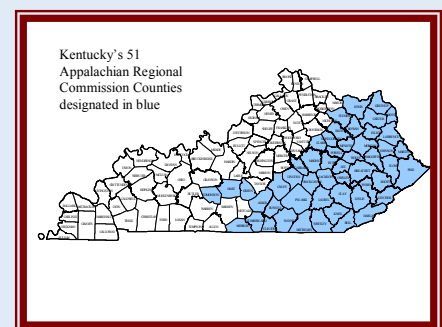
Interestingly, Nolin RECC played a significant role in helping the Fort Knox army base cut back on its energy consumption when officials turned to them after being ordered to cut the base's energy use by 35 percent by the year 2010. Following Nolin RECC's recommendations, the base replaced outdated heating and cooling equipment with geothermal systems, replaced forced-gas air heaters with infrared heat, installed spray-foam insulation on roofs, installed an automation system controlling heat and air conditioning in all base buildings, installed two generators producing electricity only during peak hours, and installed motion-detector thermostats and lights in offices. The 109,000-acre base now saves about \$10 million annually and has cut its energy consumption by one-third. The base's energy-saving measures very likely contributed toward the decision to keep the base open during all of the base closings that occurred nationally in 2005. Fort Knox is home to approximately 23,000 soldiers and civilians and provides jobs which help boost the local economy. For their role in helping Fort Knox improve its energy infrastructure, Nolin RECC received a National Rural Electric Cooperative Association (NRECA) 2006 National Community Service Award honorable mention.

Rural Development also provides loan and grant assistance for financing telecommunications infrastructure in rural areas. The Community-Oriented Connectivity Broadband Grant Program, one of the many telecommunications programs, offers financial assistance to provide currently un-served areas with broadband transmission service thereby promoting economic growth and delivering enhanced education, health care, and public safety services to rural communities.

This past Fiscal Year, four Kentucky communities received a total of \$944,795 in grant funds to provide broadband service in their local areas. The Heartland Communications Internet Service, Inc. in Paducah, Kentucky was awarded \$426,321 to build a high-speed wireless internet system in the City of Columbus in Hickman County, connecting the mayor, police department, and volunteer fire department. Open World, Inc. in Lexington, Kentucky received \$94,430 to provide broadband service to Concord in Lewis County, a town of 28 people. SouthEast Telephone, Inc. was awarded \$214,153 to provide broadband service to Monterey in Owen County and the surrounding area, including connecting the community center, and also another \$209,891 to serve the City of Berry in Harrison County, connecting the Harrison County Fire Department, Berry Fire Department, Post Office, and City Hall.

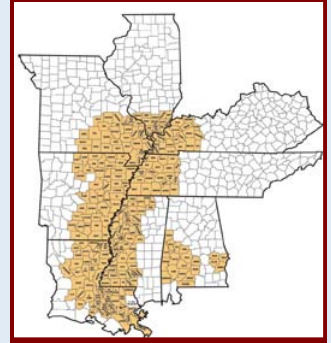
Appalachian Regional Commission

During FY 2006, Kentucky Rural Development administered 24 ARC projects for a total of \$8,890,050. Seventeen of these projects were for the expansion or improvement of water and waste disposal systems in rural areas of Kentucky. The remaining seven ARC projects were for essential community facilities, such as an office building to house a one-stop job training center in Pineville, renovation of a child development center in Hazard, a natural gas system in Russell County, a new health department facility in Lewis County, rehabilitation of a youth center building in Whitley City, construction of a mini-auditorium with stage and seating and a recording studio at the Owsley County High School to act as a drop-out prevention program, and the renovation of existing pediatric and medical/surgical rooms and equipment purchase for the Mary Breckinridge Hospital in Hyden, Kentucky.



Delta Regional Authority (DRA)

The DRA provides economic assistance to the eight state region of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee—historically one of the most economically disadvantaged areas of the country. In Fiscal Year 2006, the West Kentucky Regional Industrial Development Authority was awarded a \$84,164 DRA grant to complete the third phase of a project providing wastewater infrastructure to the Four Star Regional Industrial Park in Henderson County. This particular phase of the project involves sewer line extensions. Wastewater infrastructure for the industrial park is a crucial factor in drawing the Columbia Sportswear Company to locate a large footwear distribution center at the park, eventually employing an anticipated 200 people within two years of operation.



Distance Learning and Telemedicine (DLT)

This past Fiscal Year, Kentucky was the recipient of 4 DLT grants totaling \$1,007,904.

Appalachian Regional Healthcare (ARH) is a not-for-profit health system operating in eastern Kentucky and southern West Virginia whose mission is to improve health and promote the well-being of all people in Central Appalachia. ARH was awarded \$484,851 to purchase and install a Picture Archiving and Communication System (PACS) to expand teleradiology services for rural communities in Eastern Kentucky. The system will allow the Whitesburg ARH, Harlan ARH, Morgan County ARH, and McDowell ARH Hospitals to provide more timely and efficient radiology services and better quality patient care in Central Appalachia.

Professional Home Health Care Agency, Inc. was awarded \$105,082 to purchase in-home monitoring equipment and supporting software for home health patients in Laurel, Knox, and Whitley Counties in Kentucky and in Campbell County, Tennessee. The in-home monitoring will allow patients to be cared for at home rather than in a hospital, with data transmission to a central monitoring station and nursing and clinical staffs. The four participating Kentucky sites are in London, East Bernstadt, Barbourville, and Williamsburg.

The University of Kentucky Research Foundation was awarded \$91,078 to equip five rural Cooperative Extension Service Offices and the UK Wood Utilization Center with a distance learning system and on-demand education network. These hub/end user sites will be located in Bedford, Russell Springs, Hartford, Barbourville, and Hyden and in the UK Wood Utilization Center in Jackson, Kentucky. The on-demand education network will connect Extension specialists, agency and government representatives, and medical professionals; provide workshops, training, and skill-building education programs; and allow for formal educational course work including advanced graduate courses and career and technical education. The network will link to existing videoconferencing sites across the state, including the Center for Rural Development, Kentucky Research and Education Center, Kentucky State University, Kentucky Education Television, CenterNet2 system, Kentucky Postsecondary Education Network, and three County Extension offices located in Catlettsburg, Elizabethtown, and Henderson.

In his October 2, 2006, press release announcing the award of the 103 DLT grants across the nation, Agriculture Under Secretary for Rural Development Thomas Dorr specifically mentioned the Saint Joseph Hospital Foundation, Inc. in Lexington, Kentucky. The Foundation was awarded \$326,893 to add nine school health clinics to the current service area of the Eastern Kentucky Mobile Health Service (EKHMS), connect the mobile health service to medical directors at three emergency room sites, and establish a network of primary care and public health departments. Additionally, since the establishment of the EKHMS in 2003, two of the major health care problems identified in its service area were mental health and obesity with resulting sleep disorders. To address this need, part of the funds will be used to add telepsychiatry and sleep disorder diagnostic and monitoring capabilities through a community hospital. The EKHMS provides primary care and specialty referrals to residents of five communities in three rural Appalachian counties.

Housing Programs

Single Family Housing Programs

Direct Subsidized Homeownership Loans are processed through 19 local offices to very low and low income families in rural areas to finance new and existing homes. Homeownership Loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities and to provide adequate water and waste disposal systems.

Guaranteed Homeownership Loans are made available by approved lenders to moderate income applicants not exceeding 115% of the US Median Income for the county where the property is located. Guaranteed Loans cover 100% of the cost and there is no requirement for a down payment or private mortgage insurance.

504 Loans and Grants are used to enable very low-income homeowners to remove health and safety hazards, make needed repairs, and provide accessibility for family members with disabilities. Grants are available to applicants, 62 years of age and older, who do not have repayment ability for a loan.

Self-Help Grants are made to nonprofit entities to coordinate the construction of new homes by applicants who provide a substantial portion of the labor. The "sweat equity" contribution reduces the total cost of purchasing a home – allowing many people to purchase houses that otherwise would have been out of reach.

Technical Assistance Grants are made to nonprofit entities for homeownership education and financial counseling.

This past Fiscal Year USDA Rural Development helped 1,755 families purchase a home through the 502 Guaranteed and Direct Program. Additionally, 621 families received help to make necessary repairs to their homes. Overall, more than \$158 million dollars was obligated for single family housing, nearly doubling our original allocation. Our partnerships with other funding agencies also flourished this past year. Thirty-one Rural Home Loan Partners provided an additional \$2.6 million in leveraged funds and the Kentucky Housing Corporation (KHC) provided over \$750,000 through the HouseWorks partnership initiative. Rural Development also established a partnership with the Kentucky Rural Initiatives Corporation (KRIC) to achieve a Self Help project of 12 units in Webster County. Another partnership with Kentucky River Foothills will provide homeownership counseling for several economically depressed counties in Eastern Kentucky. In our Rural Development Guaranteed Program, numerous qualified lenders provided a total of \$119,313,991 to assist homeowners in rural Kentucky. Additionally, this past year Kentucky approved a demonstration project for Kentucky Highlands and Frontier Housing applying innovative designs as a means of providing affordable housing for low and very low income families.

Below are examples of how we made a difference:

Direct Subsidized Homeownership Loans—John is a happy man, despite a lifetime of struggles. And why shouldn't he be? He has a new home, two grown children, and healthy grandchildren—THE AMERICAN DREAM! But it was not always the case. A serious drinking problem dominated his life and he lost everything. He had resigned himself to never getting his life 'right,' but there were others who did not give up on him. John contacted Hazard Perry County Housing Development Alliance, Inc., a non-profit housing provider and a Rural Home Loan Partner with USDA Rural Development. With the housing agency's and USDA's help, John obtained funds to construct a new home. The USDA funds were provided under the **Direct Subsidized Homeownership Loan Program** available to very low and low income families in rural areas to buy, build, improve, repair, or rehabilitate. John has moved into his new home and is very grateful for the many people who did not give up on him. Looking back at his life, he said he didn't feel anybody cared and, when he was homeless, "he felt like a piece of furniture" that could easily be picked up and moved from place to place. John has his own roots now—a new house and home for his children and family members to visit. *He shares his excitement with others and lets them know that help is out there if they are willing to work for it.* (The Direct 502 Program helped 432 families using \$35,856,184.)



Other examples of improving living conditions:



Before



After



504 Loans and Grants - Larry and Judy applied to Rural Development for a **504 Loan** available to very low-income homeowners to remove health and safety hazards and to make necessary repairs.

The furnace was beyond repair; there was no heat, and the family didn't know where to turn for help. Moreover, Judy's health depended on Larry efforts to find a solution. Through friends, Larry learned of USDA Rural Development. But, before their loan could be processed and closed, Judy's illness triggered a trip to the hospital. Larry said, "Doctors told me I had to get some heat in the house before she could come home. I wanted her to come home for Christmas, because I was afraid this would be our last Christmas together."

Finally, just days before Christmas, funds became available and the furnace was installed. Larry said, "Judy came home two days before Christmas and she was really happy to be home. The heat was our Christmas present; it was a big Christmas." Additionally, the house needed a new roof; the ceiling was falling, the kitchen sink was missing, and two indoor ramps were needed to get from room to room. Larry said, "I washed my dishes in pans, because I didn't have a sink ." He continued, "Sadly, Judy didn't get to see all the repairs materialize but, if it wasn't for Rural Development, it wouldn't have gotten done." He attested, "People like ya'll know and understand how poor people live." He smiled as he said, "People like us are truly very thankful. Not too many people help poor people out. I want to thank USDA Rural Development. Ya'll was good to us." *He advocated, "I recommend USDA Rural Development 100 percent." He's glad to share his story for the purpose of educating financially strained families about the programs offered through USDA Rural Development.* The 504 program helped 621 families using \$3,393,082.



New more efficient heating unit



Ramps to provide access for persons with disabilities



New siding, windows and doors



Self-Help Grants - The Kentucky Rural Initiatives Corporation (KRIC) was awarded a \$241,234 Self-Help grant in August 2006 for the construction of 12 houses in Webster County. As of this writing, four Direct 502 loans have been awarded for construction, with the remaining eight houses to be constructed over a period of time. These funds allow entities to coordinate the construction of new homes with applicants providing a substantial portion of the labor. The "sweat equity" contribution reduces the total cost of owning a home allowing many people to build new homes that otherwise would have been out of reach.

Guaranteed Homeownership Loans—As we grow in life, we look forward to finding a good job, getting married, having a family, and owning a home. Todd Jolly will tell you he is one such person. Todd lived in a manufactured home in serious need of repair when he heard about the USDA Rural Development guaranteed program, which is available to moderate income families with incomes not exceeding 115% of the median county income. (Guaranteed Loans cover 100% of the cost and there is no requirement for a down payment or private mortgage insurance.) He called the Morehead Area Office and was given the basic information and the names of several lenders in the Maysville Area. Todd then contacted Citizens Deposit Bank and Trust in Maysville, who assembled a construction loan package under the guidelines of the USDA Guaranteed Program. After moving into his new house, Todd says "he doesn't miss the cold air coming through the windows of the old house. You don't know how nice it is to have a warm and comfortable home to live in. I am so glad that I was able to work with Citizens Deposit Bank and Trust with a Guarantee from USDA Rural Development. Their patience and understanding was more than I could have asked from anyone. They took the time to work with me and answer all the little questions I had." Todd stated, "One of the greatest gifts God has given me is the opportunity to own a wonderful home like this. When people ask me how I was able to have this home, I tell them about this program, because without it I would still be living in the old manufactured home."



Multi-Family Housing Programs

Rural Rental Housing Program funds may be used to build, purchase, or repair apartment-styled rental housing. Rental units are made available to very low, low, and moderate income tenants. Rental housing loans can be made to individuals, associations, trusts, partnerships, limited partnerships, state and local agencies, profit and non-profit organizations. Housing must be located in communities designated annually by the agency.

Rural Rental Housing Guaranteed Loan Program funds may be used to build, purchase, and substantially rehabilitate multi-family housing for very low, low, and moderate income tenants. Guarantees may be given to lenders approved by FNMA, FHLMC, FHLB, or HUD.

Farm Labor Housing funds may be used to buy, build, improve, or repair farm labor housing and to provide related facilities for individual farm owners, associations of farmers, broadly based nonprofit organizations. For profit applicants must be unable to obtain credit elsewhere. Grants are available to non-profit organizations. Housing is for domestic farm workers, both migrant and year-round.

Housing Preservation Grants provide grant funding to operate a program which finances repairs to single and multi-family housing for very low and low income homeowners. A political subdivision or non-profit corporation may receive and

Housing Repair Assistance Available through USDA Grant Program

Faye Simpson of South Graves County is the proud owner of a brand new home, thanks in part to USDA Rural Development's Housing Preservation Grant Program.

This program provides funds to organizations such as Purchase Area Housing Corporation (PAHC) in Mayfield, KY, who in turn leverage the money with other funding sources to renovate or rehabilitate deteriorating homes for very-low

and low income households in their eight county rural area. When dwellings are in such poor condition they cannot be restored to decent, safe and sanitary conditions, the applicant may receive a new home. This was Simpson's plight. The mobile home in which she had been living for the past 18 years was beginning to show signs of major disrepair. Floors were separating from the sides of the trailer due to deterioration from the weather, interior floors were rotting because of water damage, and the roof was fast becoming another problem. Along with home repair issues, Faye, who has been diagnosed with Lou Gehrig's disease, was having difficulty maneuvering through her trailer. In fact, from the time she applied for housing assistance to the present day, her health problems accelerated to the point that she now requires the assistance of a wheelchair and has lost most of her speech capability.

"This was God sent; there was no way I could have my trailer repaired and pay for my medicines. My daughter heard about a program at the Purchase Area Development District to help low income families with house repairs, and she called to have my name put on the list. It

is hard to believe that I have a new house. In my trailer I could hardly get around anymore due to my health condition as I have been diagnosed with Lou Gehrig's disease. In my new house I have more access to all the rooms and the handicap bath is just wonderful. I am so thankful to programs like this," Simpson said.



Phyllis Dick, who administers the PAHC program, had this comment to make, "The Purchase Area Development District and Purchase Area Housing Corporation also thank Rural Development for providing funds to help assist families like Ms. Simpson. This is the 18th year Rural Development has awarded HPG funds to our office and over these years, hundreds of families have been assisted. Without Rural Development's matching funds, trying to obtain other leveraged funds would almost be impossible. Therefore, we are very appreciative of Rural Development and their endeavors to enhance the quality of the rural community."

Outreach and Marketing

Kentucky employees have been busy with outreach and marketing. Listed are some examples:

- A 2007 calendar was designed featuring *Homeownership Tips*. This calendar is used as a marketing tool during events, meetings, Career Day events, etc.
- Kentucky employees participated in nine National Homeownership Month events during the month of June. These events ranged from *Home Builds to Open Houses*. Mayors, County Judge Executives and Rural Development staff conducted 22 Proclamation signings and employees attended 11 Housing Fairs throughout the state.



- 32 Success Stories were submitted to the Under Secretary of Agriculture, published in local newspapers, and have been posted to our state website. Local newspapers published 88 National Homeownership articles.



- Participated in the 59th Annual National Real Estate Brokers (NAREB) conference in Louisville. This event was attended by brokers, bankers, local officials and citizens from throughout the United States.

USDA Rural Development is truly an affordable option for buyers who wish to purchase homes in rural areas. We have stepped up our outreach to lenders and real estate professionals who serve rural citizens to let them know that with our assistance they can help more of their neighbors realize their dreams of homeownership.

- Kentucky was one of the few states to submit a Faith Based Community Initiative success story to the National Office.
- Published an article in Kentucky Living Magazine, spotlighting the 504 Home Repair Program. This publication was mailed to approx 487,000 homes and businesses through the state—and resulted in hundreds of inquiries for assistance.
- Published an article in the Electric Cooperative magazine spotlighting the 504 Home Repair Program, resulting in approximately 100 inquiring for assistance.

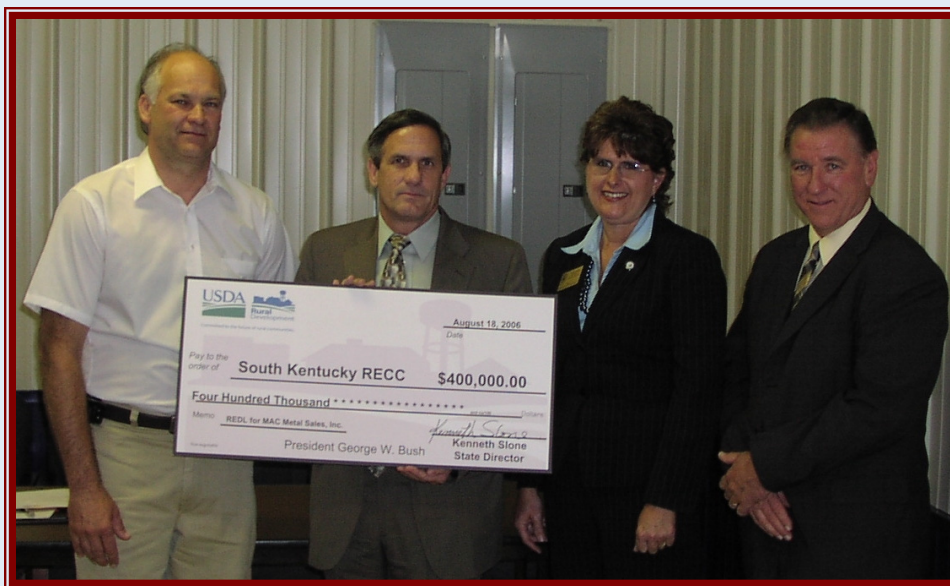
Business-Cooperative Programs

To promote an active business environment in rural America, the goal of the USDA-Rural Development, Business and Cooperative Programs is "to enhance the quality of life for rural Americans by providing leadership in building competitive businesses including sustainable cooperatives that can prosper in the global marketplace."

Business Programs (BP) works in partnership with the private sector and community-based organizations to provide financial assistance and business planning to fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Business Programs consist of the **Business and Industry Guaranteed Loan, Intermediary Relending Program, Rural Business Enterprise Grant, Rural Economic Development Loan**, and other programs.

Cooperative Programs (CP) promotes the understanding and use of cooperatives as a form of business options for marketing and distributing agricultural products to assist in effectively improving their economic well-being and quality of life. **The Value Added Producer Grant** is a good opportunity to produce farm income.

USDA Rural Development State Director Kenneth Slone presented a \$400,000 Rural Economic Development Loan check to South Kentucky RECC. Funds will be used to provide a pass-through loan to assist MAC Metal Sales, Inc, to finance the acquisition of five semi-trucks, eight tandem trailers and one new trim former for their existing metal manufacturing and sales business. The proposed project in Somerset will create approximately 20 additional jobs for the area.



Kentucky Rural Water Association, Inc. (KRWA) received a \$99,000 Rural Business Enterprise Grant from USDA Rural Development to purchase a self-contained sewer camera van and trailer-mounted sewer jetter to provide low-cost sewer video evaluation services critical to small towns and communities in Kentucky. With the use of this equipment and the technical assistance provided by KRWA, small utilities will be able to improve their sewer collection systems, and 73 existing systems can satisfactorily remove the sanctions placed on them by the Kentucky Division of Water.



In Fiscal Year 2006, USDA Rural Development awarded a \$199,000 Rural Business Enterprise Grant



(RBEG) to the Kentucky Highlands Investment Corporation (KHIC) to establish Certacare, Inc. This enterprise is a medical provider for home infusion care and will serve patients in a nine-county area of southcentral Kentucky. These funds, along with a \$201,000 loan from KHIC, allowed Certacare to offer home infusion therapy to the citizens of Adair, Casey, Clinton, Cumberland, Green, Pulaski, Russell, Taylor, and Wayne Counties when they opened their doors on July 12, 2006. Patients requiring intravenous medications can now remain at home in a comfortable environment and resume normal lifestyle and work activities rather than submit to inpatient stays of undetermined lengths of time. This benefits the patients, clinicians, and insurance companies and greatly reduces the costs for inpatient

stays. Certacare currently provides employment for a total of ten people, mostly in a professional capacity with significantly higher wages, projecting a total of 16 employees by the end of the first year of operations and a total of 25 employees at the end of two years.

Lake Cumberland Milling was established in October of 2003 by 27 investors. With the help of a forgivable



loan from the state's agricultural development fund and a USDA Value Added Producer Grant, the business began operation with the purchase of the Wayne County Feed facility in January 2005. The soybean extrusion equipment had its first test run in February 2006. The mill continues to undergo startup adjustments and improvements to produce a high quality product. The company also plans to improve its production and marketing capacity this year. So far, in 2006 it has processed over 1,525 tons of soybeans to produce 1,205 tons of soybean meal, 67 tons of soybean hulls, and 48,030 gallons of soy oil. The extruded soybean meal is a high-energy natural product that has eight percent fat content and is sold as animal feed for chickens, hogs, and cattle.

Soybean oil is a food-grade unrefined oil that can be

blended and made into bio-diesel fuel, cattle feed ;or used for cooking products. Soy hulls are sold as ingredients for cattle feed.

The Mountain Association for Community Economic Development (MACED) believes that access to quality goods and services is one of the key factors that make a community strong. This holds true not just for medical care and grocery stores but also for cultural services such as the performing arts. **Pointe of Joy Dance Studio** opened its doors to the citizens of Paintsville, KY, in 2004 with the help of MACED microloan. The young entrepreneur made a personal decision to remain in eastern Kentucky to increase cultural awareness and influence children with her love of the arts. The studio started with 22 students and grew to 104 students in just one year. As a result the studio received Intermediary Relending Program funds from USDA Rural Development to purchase a building. The business moved into a large, downtown conservatory-like space with rooms for three dance studios, as well as piano, voice, tap, and instrument lessons. The dance center's success comes from the entrepreneur's focus on mastering the techniques, a small class size for one-on-one attention, and placing significance on a professional attitude that allows the children to flourish.



Civil Rights

Civil Rights compliance requires a number of activities throughout the year to maintain equality in the administration of Rural Development's programs. This year 226 Civil Rights Compliance Reviews were conducted on the various programs. Affirmative Fair Housing Marketing Plans are submitted for review by the Program Directors and Civil Rights Manager with a total of 136 approved this year by the State Director.

Fair Housing Training was provided to approximately 300 Management Company employees involved in the Multi-Family Housing Program. Rural Development employees in Kentucky were given training on "Accessibility in Office Space" during a statewide training meeting.

"Celebrating Community: A Tribute to Black Fraternal, Social and Civic Institutions" was the theme for this year's Annual Black History Luncheon observed by all three USDA offices at the State level. The program provided information about the African American fraternal, social, and civic organizations that have aided communities in their efforts to improve social, economic, and political challenges. The USDA employees were treated to a "Step Performance" by the students of Kentucky State University. This annual event was well received by all with a meal and program of interest to all attendees.

In an effort to promote diversity in the workforce, Rural Development attended four career day events at various colleges across the state. During each career day handouts and information was provided to students on careers with USDA, particularly Rural Development.

The Civil Rights Manager was a member of the National Office Civil Rights Review Team during a Management Control Review of the Community Programs activity in another state. The Civil Rights Manager also reviewed the Faith-Based and Community Initiatives (FBCI) program in that state.

The Presidential Initiative, FBCI, received dedicated attention this year. Each of the five Rural Development Area Offices held a total of eight outreach meetings. Handouts and information on Rural Development program funding of the 14 participating programs was provided at each meeting. The FBCI Coordinator attended the "White House Targeted Workshop on Faith-Based and Community Initiatives" held in Cincinnati, Ohio. This meeting included a network link with the White House Office of Faith-Based and Community Initiative (WHOFBCI) members. The coordinator also worked at the Rural Development booth with Ohio Rural Development employees. Visitors to the booth were given information on the participating Rural Development Programs.

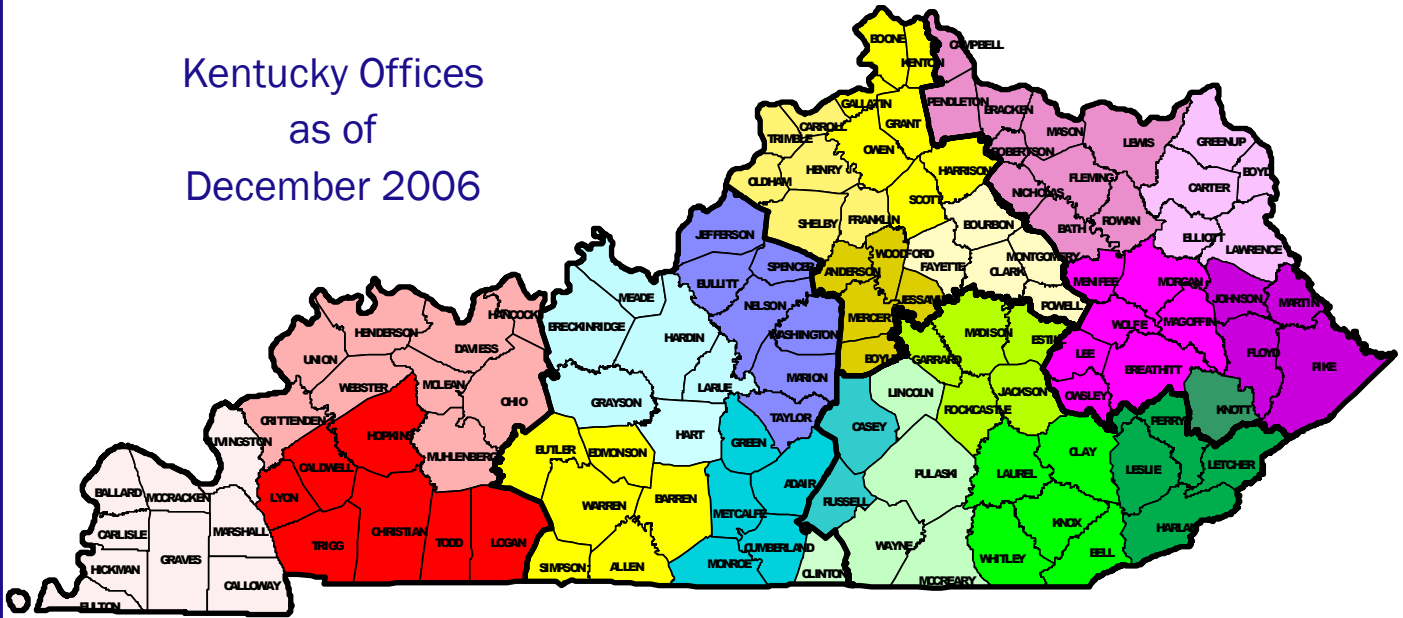
Kentucky Rural Development submitted a FBCI success story which was published as an accomplishment for this year.

The following e-mail was received from Sherie Hinton Henry, Deputy Administrator for Operations and Management USDA, Rural Development:

Great News, the department is at "Green" for the Faith Based and Community Initiative. Since Rural Development makes up 99 percent of that report, we couldn't have gotten there without you all and your support out there in the field. Please extend my thanks to the Faith Based Coordinator, Alternate and all of your program directors and staff that have been instrumental in Rural Development getting to Green, and now enabling the department to get to Green. Because of all of your hard work, we're being recognized by the Deputy Secretary. Thank you, Thank you, Thank you.



Kentucky Offices as of December 2006



State Office: 771 Corporate Dr., Suite 200, Lexington, KY 40503 (859) 224-7300

Area & Local Offices:

I-Princeton—320B Traylor St., Princeton, KY 42445 (270) 365-6530

Elkton—101 Elk Fork Road, Elkton, KY 42220 (270) 265-5638 (COUNTIES SERVED -Todd, Logan, Christian, Hopkins, Trigg, Caldwell, Lyon)

Owensboro—3032 Alvey Park Dr West, Ste. 3, Owensboro, KY 42303 (270) 683-0927 (COUNTIES SERVED -Daviess, Hancock, Ohio, McLean, Henderson, Union, Webster, Muhlenberg, Crittenden)

Paducah—2715 Olivet Church Road, Paducah, KY 42001 (270) 554-7265 (COUNTIES SERVED -McCracken, Ballard, Graves, Carlisle, Hickman, Fulton, Livingston, Calloway, Marshall)

II-Columbia—957 Campbellsville Rd., Columbia, KY 42728 (270) 384-6431

Bardstown—512 E. Stephen Foster Ave., Bardstown, KY 40004 (502) 348-3024 (COUNTIES SERVED -Nelson, Marion, Washington, Spencer, Jefferson, Bullitt, Taylor)

Bowling Green—925 Lovers Lane, Bowling Green, KY 42103 (270) 842-1146 (COUNTIES SERVED -Warren, Allen, Barren, Edmonson, Simpson, Butler)

Columbia—969 Campbellsville Road, Columbia, KY 42728 (270) 384-6431 (COUNTIES SERVED - Adair, Casey, Green, Metcalfe, Monroe, Russell, Cumberland)

Elizabethtown—587 Westport Road, Elizabethtown, KY 42701 (270) 769-1555 (COUNTIES SERVED -Hardin, Hart, Larue, Meade, Grayson, Breckinridge)

III-Shelbyville—90 Howard Drive, Suite 3, Shelbyville, KY 40065 (502) 633-0891

New Castle—1125 Campbellsburg Rd., New Castle, KY 40050 (502) 845-4700 (COUNTIES SERVED- Henry, Franklin, Shelby, Oldham, Trimble, Carroll)

Nicholasville—800-A South Main, Nicholasville, KY 40356 (859) 887-2461 (COUNTIES SERVED -Jessamine, Anderson, Woodford, Mercer, Boyle)

Williamstown—486 Helton Street, Williamstown, KY 41097 (859) 824-7171 (COUNTIES SERVED -Grant, Owen, Gallatin, Boone, Kenton, Harrison, Scott)

Winchester—30 Taylor Ave., Winchester, KY 40391 (859) 744-5561 (COUNTIES SERVED - Clark, Montgomery, Bourbon, Fayette, Powell)

IV-Morehead—220 West First Street, Morehead, KY 40351 (606) 784-6447

Flemingsburg—Hwy 11 So., RT. 2 Box 27A, Flemingsburg, KY 41041 (606) 845-2851 (COUNTIES SERVED -Fleming, Nicholas, Rowan, Robertson, Bath, Mason, Lewis, Campbell, Pendleton, Bracken)

Grayson—526 East Main Street, Suite A, Grayson, KY 41143 (606) 474-5185 (COUNTIES SERVED -Carter, Greenup, Boyd, Elliott, Lawrence)

Prestonsburg—214 So Central Ave, Ste 101, Prestonsburg, KY 41653 (606) 886-9545 (COUNTIES SERVED -Floyd, Pike, Martin, Johnson)

West Liberty—955 Prestonsburg St., Suite #1, West Liberty, KY 41472 (606) 743-3193 (COUNTIES SERVED -Morgan, Magoffin, Menifee, Wolfe, Lee, Breathitt, Owsley)

V-London—95 S. Laurel Rd., Suite #A, London, KY 40744 (606) 864-2172

Hazard—625 Memorial Drive, Suite 101, Hazard, KY 41701 (606) 439-1378 (COUNTIES SERVED -Perry, Leslie, Letcher, Harlan, Knott)

London—95 S. Laurel Rd., Suite #B, London, KY 40744 (606) 864-2172 (COUNTIES SERVED - Laurel, Clay, Knox, Bell, Whitley)

Richmond—2150 Lexington Road, Suite C, Richmond, KY 40475 (859) 624-1982 (COUNTIES SERVED -Madison, Estill, Jackson, Garrard, Rockcastle)

Somerset—45 Eagle Creek Dr, Ste 105, Somerset, KY 42503 (606) 678-4842 (COUNTIES SERVED -Pulaski, McCreary, Clinton, Lincoln, Wayne)

**USDA Rural Development
771 Corporate Drive, Suite 200
Lexington, KY 40503**